

CORUNNA PUBLIC SCHOOLS

CORUNNA, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

July 7, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Corunna Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Corunna Public Schools, as of and for the year ended June 30, 2005, which collectively comprise the school district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corunna Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Corunna Public Schools as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated July 7, 2005 on our consideration of the school district's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - VII and 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Corunna Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CORUNNA PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

The Corunna Public Schools is a Preschool through Twelfth Grade (P-12) school district located in Shiawassee County, Michigan. The district is comprised of one preschool, three elementary schools (grades K-5), one middle school (grades 6-8), and one high school (grades 9-12). Additionally, the district contracts with Baker College of Owosso to conduct an alternative education program for certain high school students. In total, the district's pupil count for the 2004-2005 school year was 2,297, a welcome increase from the 2003-2004 count of 2,251. This number does not include those enrolled or participating in other successful educational programs offered, specifically the preschool and school-age child care programs, the Adult Education program, and the Community Education's enrichment classes and camps, which are offered throughout the year.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

District-wide Financial Statements:

The District-wide Financial Statements are full accrual basis statements. In other words, they report all of the district's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the debt funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the general Fund. Capital assets and obligations of the district are reported in the Statement of Net Assets of the District Wide Financial Statements.

One of the most important questions asked about the school district is, "As a whole, what is the school district's financial condition as a result of the year's activities?" The Statements of Net Assets and the Statements of Activities, which appear first in the school district's financial statements, report information on the school district as a whole and its activities in a way that helps one answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Net Assets Summary (next page) and its related Statements of Net Assets report the Corunna Public schools' net assets – the difference between assets and liabilities – as one way to measure the school district's financial health or financial position. Over time, increases or decreases in the school district's net assets – as reported in the following Results of Operations and its related Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the school district's operating results. However, the school district's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety and well being of the students, to assess the overall health of the school district.

The Statement of Net Assets and the Statement of Activities report the governmental activities of the school district, which encompasses all of its services, including instruction, support services, community services, athletics, and food services. Property taxes, State Aid, and state and federal grants finance most of these activities.

Fund Financial Statements:

The school district's Fund Financial Statements provide detailed information about the most significant funds – not the school district as a whole. Some funds are required to be established by State law and by bond covenants. However, the school district establishes other funds to help it control and manage money for particular purposes (the Food Service fund and Athletics fund are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The various funds of the school district use the following accounting approach:

CORUNNA PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Fund Financial Statements: (Continued)

Governmental funds – All of the school district’s services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the school district and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the school district’s programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation format.

In the Fund Financial Statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future years’ debt obligations are not recorded.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The school district is the trustee, or fiduciary, for its student activity funds. All of the school district’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the school district’s other financial statements because it cannot use these assets to finance its operations. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current Assets	\$4,538,688	\$5,115,515
Non-Current Assets	<u>13,979,568</u>	<u>13,941,427</u>
<u>TOTAL ASSETS</u>	<u>\$18,518,256</u>	<u>\$19,056,942</u>
<u>LIABILITIES</u>		
Current Liabilities	\$3,155,259	\$2,502,665
Long-Term Liabilities	<u>6,709,069</u>	<u>6,155,205</u>
Total Liabilities	\$9,864,328	\$8,657,870
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	7,824,363	7,451,222
Restricted - Debt Service	152,486	190,368
Restricted - Capital Projects	59	51,446
Unrestricted	<u>677,020</u>	<u>2,706,036</u>
Total Net Assets	<u>\$8,653,928</u>	<u>\$10,399,072</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$18,518,256</u>	<u>\$19,056,942</u>

CORUNNA PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2005 and 2004, the district-wide results of operations were:

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$1,219,548	\$1,225,722
Property Taxes Levied for Debt Service	561,130	570,596
State of Michigan Unrestricted Foundation Aid	13,785,353	13,209,885
Other General Revenues	<u>228,409</u>	<u>194,155</u>
Total General Revenues	\$15,794,440	\$15,200,358
<u>Operating Grants:</u>		
Federal	603,863	574,609
State of Michigan	1,009,487	926,619
Other Operating Grants	<u>591,104</u>	<u>355,828</u>
Total Operating Grants	\$2,204,454	\$1,857,056
<u>Charges for Services:</u>		
Food Service	462,973	451,651
Athletics	163,089	121,820
Other Charges for Services	<u>302,785</u>	<u>305,871</u>
Total Charges for Services	<u>\$928,847</u>	<u>\$879,342</u>
Total Revenues	\$18,927,741	\$17,936,756
<u>EXPENSES</u>		
Instruction & Instructional Support	12,246,220	9,919,828
Support Services	6,119,954	5,646,731
Community Services	38,561	49,498
Food Service	813,410	757,720
Athletics	556,686	515,670
Other Capital Projects	201,741	921,023
Interest on Long-Term Debt	263,787	302,638
Depreciation	<u>432,526</u>	<u>423,528</u>
Total Expenses	<u>\$20,672,885</u>	<u>\$18,536,636</u>
<u>(DECREASE) IN NET ASSETS</u>	(\$1,745,144)	(\$599,880)
<u>BEGINNING NET ASSETS</u>	<u>10,399,072</u>	<u>10,998,952</u>
<u>ENDING NET ASSETS</u>	<u><u>\$8,653,928</u></u>	<u><u>\$10,399,072</u></u>

CORUNNA PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2005, the district's Total Net Assets decreased by \$1,745,144 to a total of \$8,653,928. The largest portion of the net assets is the district's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$373,141 during the year due to depreciation and principal payments on related debt exceeding purchases of new capital assets. The district's Unrestricted Net Assets decreased by \$2,029,016 during the year and the restricted portion of the net assets decreased by \$89,269. The unrestricted Net Assets may be used to fund the educational services provided to students. The restricted Net Assets consist of the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects.

Analysis of Results of Operations:

The district's overall expenses exceeded its revenues for the year by \$1,745,144. The total revenues increased by \$990,985 or almost 6% over last year's amounts. The major change was the reinstatement of per-pupil State Aid to \$6,700, an amount which had been reduced by \$74 in the last fiscal year. Expenditures increased by \$2,136,249 or 12% over last year. The majority of this significant increase is a result of spiraling health insurance costs, increased retirement contribution costs, and wage increases. Actual General fund cash expenditures increased by \$1,336,314 from the previous fiscal year, Food Service expenditures increased by \$55,690 from the previous fiscal year, and Athletics expenditures increased by \$44,199 from the previous fiscal year, due to the previously-mentioned factors, as well as the costs associated with an increased student population.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position:

The focus of the district's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. An analysis of changes in the governmental funds is as follows:

General Fund

The district's general fund is the primary operating fund of the district. Unreserved fund balance for the General fund decreased by \$629,112 during the year, with the decrease explained by the difference in revenues versus expenditures, as discussed above. Revenues for the year increased by \$799,828, primarily from the State Aid increase mentioned above. Expenditures and other financing uses increased by \$1,336,314, primarily as a result of the increased costs discussed above. The major source of General fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined from the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The district's non-homestead tax levy

2. Per-Student Foundation Allowance:

Annually, the State of Michigan establishes the per-student foundation allowance. The Corunna Public schools' foundation allowance was \$6,700 per student for the 2004-2005 school year.

CORUNNA PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued):

General Fund (Continued)

3. Student Enrollment:

The district's student enrollment for the fall count of 2004-2005 was 2,297 students, an increase of fifty students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

In 2004-2005 the district levied 16.9886 mills of property taxes for operations (General fund) on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The district's non-homestead property tax revenue for the 2004-2005 fiscal year was \$1,210,429, a decrease of \$12,719 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

Fiscal Year	Original Budget	Final Budget	Actual	Variance	Variance
				Original & Final Budget %	Actual & Final Budget %
Revenue	\$16,794,052	\$17,222,655	\$17,267,118	2.55	0.26
Expenditures	17,602,288	17,777,159	17,896,230	0.99	(0.67)
<u>TOTAL</u>	<u>(\$808,236)</u>	<u>(\$554,504)</u>	<u>(\$629,112)</u>		

ANALYSIS OF BUDGETS:

All school districts are required to present to the public and to approve a budget for the next fiscal year by June 30 of the current fiscal year. The Corunna Public Schools Board of Education adopted the original 2004-2005 budget on June 21, 2004. In answer to significant changes that occur in revenues and expenditures throughout the year, our Board may present and adopt a revised budget, as it did on June 20, 2005. The above report shows the General Fund's budgets, original and final, versus the actual revenues and expenses for the year. One can easily see how the budget is, in many ways, an educated guess, at best, and a moving target, in any event. For example, the variance in the General fund revenues, in which actual receipts exceeded expectations by around \$43,000, was due to a pleasant surprise in our Medicaid program reimbursements and another one in some extra funds from a Homeland Security Grant.

As with last year, the Board allowed the district to operate on a deficit budget. Since the district's fund equity is healthy, the Board chose to not make reductions in programs, services or personnel but, instead, to dip into its savings again, so to speak. The Board agreed that this year's deficit in the General fund was manageable and acceptable in order to keep the district's mission in the forefront.

CORUNNA PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The district made principal payments on bonded, long-term debt obligations that reduced the amount of the district's long-term liabilities as follows:

	Principal Balance 7-01-04	Increases 6-30-05	Principal Payments 6-30-05	Principal Balance 6-30-05
Bonds Payable	\$6,490,205	\$0	\$335,000	\$6,155,205
Teacher Buy Out	0	1,392,298	0	1,392,298
<u>TOTAL</u>	<u>\$6,490,205</u>	<u>\$1,392,298</u>	<u>\$335,000</u>	<u>\$7,547,503</u>

The Bonds Payable entry (above) represents what is left from the district's bond issue in 2001, plus the remaining amount of the state's Durant settlement bonds. The entry for Teacher Buy-out is the amount owed towards the Early Retirement Incentive offered to teachers and accepted by twenty-seven of them.

B. Net Investment in Capital Assets

The district's net investment in capital assets increased by \$38,141 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
Capital Assets	\$24,024,850	\$592,754	\$0	\$24,617,604
Less: Accumulated Depreciation	(10,083,423)	(756,746)	(202,133)	(10,638,036)
<u>Net Investment Capital Outlay</u>	<u>\$13,941,427</u>	<u>(\$163,992)</u>	<u>(\$202,133)</u>	<u>\$13,979,568</u>

Significant additions were the purchase of buildings, betterment of roofs and repaving of parking lots.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the district's finances. Questions about this report or requests for additional information can be directed to the Business Office, Corunna Public Schools.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

	Governmental Activities	
	2005	2004
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$598,116	\$1,653,445
Investments	834,698	825,861
Accounts Receivable	25,169	58,418
Property Taxes Receivable	0	163
Due from Other Governmental Units	2,989,459	2,559,465
Prepaid Expenses	79,516	8,922
Inventory	11,730	9,241
Total Current Assets	<u>\$4,538,688</u>	<u>\$5,115,515</u>
<u>NON-CURRENT ASSETS</u>		
Capital Assets	24,617,604	24,024,850
Less: Accumulated Depreciation	<u>(10,638,036)</u>	<u>(10,083,423)</u>
Total Noncurrent Assets	<u>\$13,979,568</u>	<u>\$13,941,427</u>
<u>TOTAL ASSETS</u>	<u>\$18,518,256</u>	<u>\$19,056,942</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	177,192	93,417
State Aid Note Payable	955,000	950,000
Accrued Expense	63,816	66,243
Salaries Payable	1,081,710	935,323
Deferred Revenue	39,107	122,682
Current Portion of Long-Term Obligations	838,434	335,000
Total Current Liabilities	<u>\$3,155,259</u>	<u>\$2,502,665</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>6,709,069</u>	<u>6,155,205</u>
<u>TOTAL LIABILITIES</u>	<u>\$9,864,328</u>	<u>\$8,657,870</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	7,824,363	7,451,222
Restricted for:		
Debt Retirement	152,486	190,368
Capital Projects	59	51,446
Unrestricted	<u>677,020</u>	<u>2,706,036</u>
<u>TOTAL NET ASSETS</u>	<u><u>\$8,653,928</u></u>	<u><u>\$10,399,072</u></u>

See accompanying notes to the basic financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
STATEMENTS OF ACTIVITIES
JUNE 30, 2005 AND 2004

FUNCTIONS/PROGRAMS	2005			2004
	Expenses	Charges For Services	Operating Grants and Contributions	Net (Expense) Revenue & Change in Net Assets
Governmental Activities:				Net (Expense) Revenue & Change in Net Assets
Instruction	\$12,246,220	\$177,492	\$1,533,098	(\$10,535,630)
Support Services	6,119,954	125,293	331,755	(5,158,656)
Community Services	38,561	0	0	(49,498)
Food Service	813,410	462,973	339,601	9,735
Athletics	556,686	163,089	0	(393,850)
Other Capital Projects	201,741	0	0	(921,023)
Interest - Long-Term Obligations	263,787	0	0	(302,638)
Depreciation - Unallocated	432,526	0	0	(423,528)
<u>TOTALS</u>	<u>\$20,672,885</u>	<u>\$928,847</u>	<u>\$2,204,454</u>	<u>(\$17,539,584)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,780,678
State Aid				13,785,353
Investment Earnings				31,271
Miscellaneous				197,138
Total General Revenues and Transfers				<u>\$15,794,440</u>
Change in Net Assets				<u>(\$1,745,144)</u>
Net Assets - Beginning - As Restated				<u>10,399,072</u>
<u>Net Assets - Ending</u>				<u>\$8,653,928</u>

See accompanying notes to the basic financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$425,867	\$172,249	\$598,116
Investments	834,698	0	834,698
Accounts Receivable	25,169	0	25,169
Due from Other Governmental Units	2,935,956	53,503	2,989,459
Due from Other Funds	523	0	523
Prepaid Expenses	69,256	10,260	79,516
Inventory	0	11,730	11,730
<u>TOTAL ASSETS</u>	<u>\$4,291,469</u>	<u>\$247,742</u>	<u>\$4,539,211</u>
<u>LIABILITIES</u>			
Accounts Payable	\$177,192	\$0	\$177,192
State Aid Note Payable	955,000	0	955,000
Due to Other Funds	0	523	523
Salaries Payable	1,077,356	4,354	1,081,710
Deferred Revenue	29,107	10,000	39,107
Total Liabilities	\$2,238,655	\$14,877	\$2,253,532
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	11,730	11,730
Debt Retirement	0	152,486	152,486
Capital Projects	0	59	59
Designated for Subsequent Year Expenditures	9,188	0	9,188
Unreserved:			
Undesignated, Reported In:			
General Fund	2,043,626	0	2,043,626
School Service Funds	0	68,590	68,590
Total Fund Balances	\$2,052,814	\$232,865	\$2,285,679
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$4,291,469</u>	<u>\$247,742</u>	<u>\$4,539,211</u>

See accompanying notes to the basic financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total Governmental Fund Balances:	\$2,285,679
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$24,617,604 and the accumulated depreciation is \$10,638,036	13,979,568
Accrued Interest on Long-Term Debt	(63,816)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds Payable	(6,155,205)
Teacher Buy Out	<u>(1,392,298)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>\$8,653,928</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Local Sources	\$1,685,779	\$1,321,022	\$3,006,801
State Sources	14,758,796	36,044	14,794,840
Federal Sources	300,306	303,557	603,863
Total Revenues	\$16,744,881	\$1,660,623	\$18,405,504
<u>EXPENDITURES</u>			
Current:			
Instruction	10,787,126	0	10,787,126
Student Services	396,570	0	396,570
Instructional Support	684,837	0	684,837
General Administration	323,403	0	323,403
School Administration	1,424,591	0	1,424,591
Business Administration	258,224	0	258,224
Operation & Maintenance of Plant	1,798,834	0	1,798,834
Transportation	724,480	0	724,480
Support Services - Other	478,492	0	478,492
Community Services	38,561	0	38,561
Food Service	0	1,354,930	1,354,930
Debt Service	0	601,214	601,214
Capital Outlay	0	782,480	782,480
Total Expenditures	\$16,915,118	\$2,738,624	\$19,653,742
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(\$170,237)	(\$1,078,001)	(\$1,248,238)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(978,699)	978,699	0
Other Transfers	519,824	0	519,824
Total Other Financing Sources (Uses)	(\$458,875)	\$978,699	\$519,824
Net Change in Fund Balance	(\$629,112)	(\$99,302)	(\$728,414)
<u>FUND BALANCE - BEGINNING</u>	2,681,926	332,167	3,014,093
<u>FUND BALANCE - ENDING</u>	\$2,052,814	\$232,865	\$2,285,679

See accompanying notes to the basic financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Total net change in fund balances - governmental funds	(\$728,414)
--	-------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

38,141

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.

335,000

Increase in Teacher Buy Outs

(1,392,298)

Change in accrued interest on long-term liabilities

2,427

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(\$1,745,144)

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$122,612</u>
<u>TOTAL ASSETS</u>	<u><u>\$122,612</u></u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$122,612</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$122,612</u></u>

See accompanying notes to the basic financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The district receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the district is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Corunna Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the district’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the district’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The district’s basic financial statements include both government-wide (reporting the district as a whole) and fund financial statements (reporting the district’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the district’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The district’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The district first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the district’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The district does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The general fund is used to record the general operations of the district pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special revenue funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The district maintains full control of these funds. The district maintains two school service funds: food service and athletic funds.

Debt Retirement Fund

The debt retirement fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The capital projects fund is used to account for the acquisition and construction of major facilities by the school district.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The district's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The district reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the district receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The district reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper (if applicable) are recorded at amortized cost.

State statutes authorize the district to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The district is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The school district maintains a capitalization threshold of one hundred dollars. The school district does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The school district reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the school district’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The school district reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school district or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The school district follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the school Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The school Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

O) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the school district's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the school district for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2005, the district incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2005, the district had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment Pool - MIMAX	\$ 453	0.0027	AAAm	0.05%
Guaranteed Investment Contract (GIC)	834,245	0.0575	A1+	99.95%
Total fair value	<u>\$ 834,698</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0575</u>		

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the district will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the district's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the district's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

4) DEPOSITS AND INVESTMENTS (Continued)

Concentration of credit risk. The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the district's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the district's investments are in Guaranteed Investment Accounts which represents 99% of the district's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the district's deposits may not be returned to it. As of June 30, 2005, \$882,914 of the district's bank balance of \$1,088,598 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the district's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The district will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the district will do business.

The district's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the Note Payable disclosed in Note 9.

The Investment Agreement, dated as of August 20, 2004, by and among JPMorgan Trust Company, National Association, as the Depository on behalf of both the participating Michigan School districts and the Michigan Municipal Bond Authority, and Citigroup Global Markets, Inc. as Provider.

The net proceeds from the sale of the Series B-1 Notes were loaned by the Authority to Michigan school districts. Such loans were repaid with monthly set-aside installments deposited with the Depository for investment under the Investment Agreement. Set-aside installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract – GIC or collateralized investment agreement – CIA is 2.59% (simple interest actual days elapsed over a 365 day year).

The guarantor is Citigroup Global Markets Holdings, Inc., as guarantor of the Provider's obligations under this Investment Agreement.

Foreign currency risk. The district is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$122,612	\$ 720,728
Investments	<u>834,698</u>
<u>TOTAL</u>	<u>\$ 1,555,426</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

4) DEPOSITS AND INVESTMENTS (Continued)

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 122,612
Cash – District Wide	598,116
Investments – District Wide	<u>834,698</u>
 <u>TOTAL</u>	 <u>\$ 1,555,426</u>

5) PROPERTY TAXES

The school district levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the district through February. The delinquent real property taxes of the district are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the district for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2005, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 2,668,826
Federal Grants	59,147
Other Grants	<u>261,486</u>
 <u>TOTAL GOVERNMENTAL ACTIVITIES</u>	 <u>\$ 2,989,459</u>

7) UNEMPLOYMENT COMPENSATION

The district is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the district must reimburse the Employment Commission for all benefits charged against the district for the year. As of June 30, 2005, the school district had \$2,232 of estimated claims in conjunction with the program.

8) COMPENSATED ABSENCES

Accumulated unpaid sick pay and personal days are not accrued by the school district. Substantially all district employees are allowed to accumulate a limited number of sick days; however, these days do not vest to the employee and are not payable upon termination. Accumulated unpaid sick and personal days for the school district at June 30, 2005, was \$1,556,676.

9) SHORT-TERM DEBT

On August 20, 2004, the district borrowed \$955,000 at 1.55% per annum from JP Morgan Trust Company on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August 19, 2005. The balance as of June 30, 2005 was \$955,000.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

10) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$20,364,665	\$485,611	\$0	\$20,850,276
Land Improvements	520,267	82,886	0	603,153
Equipment and Furniture	1,729,163	12,242	0	1,741,405
Vehicles	1,410,755	12,015	0	1,422,770
Totals at Historical Cost	<u>\$24,024,850</u>	<u>\$592,754</u>	<u>\$0</u>	<u>\$24,617,604</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(7,729,466)	(432,970)	0	(8,162,436)
Land Improvements	(346,226)	(10,841)	(37,871)	(319,196)
Equipment and Furniture	(956,719)	(217,979)	(141,013)	(1,033,685)
Vehicles	(1,051,012)	(94,956)	(23,249)	(1,122,719)
Total Accumulated Depreciation	<u>(\$10,083,423)</u>	<u>(\$756,746)</u>	<u>(\$202,133)</u>	<u>(\$10,638,036)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$13,941,427</u>	<u>(\$163,992)</u>	<u>(\$202,133)</u>	<u>\$13,979,568</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 66,796
Support Services	242,258
Food Service	413
Athletics	14,753
Unallocated	<u>432,526</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 756,746</u>

Investment in capital assets – net of related debt consists of the following:

Capital Assets	\$ 24,617,604
Less: Accumulated Depreciation	(10,638,036)
Less: Long-Term Liabilities	<u>(7,487,589)</u>
<u>TOTAL</u>	<u>\$ 6,491,979</u>

11) RENTAL INCOME

The district is currently leasing the Barber Shop Building located at 128 North Shiawassee Street. The lease calls for monthly payments of \$304 for 2005 with a 4% increase for 2006, and expires on December 31, 2006.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

12) SELF INSURANCE POOL

The school district participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the school district may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2005 were \$151,083 and the school district received a dividend refund of \$19,106.

13) GENERAL LONG-TERM DEBT

A) 2001 School Building and Site Bonds

Corunna Public Schools has issued General Obligation Bonds dated July 13, 2001, in the amount of \$6,685,000, bearing interest at rates varying from 4.100% to 4.375% per annum. The balance of the bonds as of June 30, 2005 was \$6,010,000.

B) Durant Resolution Package Bonds

Corunna Public Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$227,286 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2005 was \$145,205. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

C) Teacher Buy-Out

The district pays EPC for paying buy-outs plus a \$5,200 per year consulting fee. The liability to ESP is payable over three years with interest. The balance as of June 30, 2005 is \$1,392,298.

D) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2005 are as follows:

	TEACHER BUYOUT	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2006	\$457,433	\$381,001	\$256,917	\$1,095,351
June 30, 2007	467,433	401,523	241,131	1,110,087
June 30, 2008	467,432	422,074	224,495	1,114,001
June 30, 2009	0	447,649	207,007	654,656
June 30, 2010	0	468,251	188,462	656,713
June 30, 2011-2015	0	2,764,707	647,879	3,412,586
June 30, 2016-2018	0	1,270,000	83,780	1,353,780
<u>TOTAL</u>	<u>\$1,392,298</u>	<u>\$6,155,205</u>	<u>\$1,849,671</u>	<u>\$9,397,174</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$265,693.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

13) GENERAL LONG-TERM DEBT (Continued)

E) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	JULY 1, 2004	ADDITIONS	DEDUCTIONS	JUNE 30, 2005	IN ONE YEAR
Bonds Payable	\$6,490,205	\$0	\$335,000	\$6,155,205	\$381,001
Teacher Buy Out	0	1,392,298	0	1,392,298	457,433
<u>TOTAL</u>	<u>\$6,490,205</u>	<u>\$1,392,298</u>	<u>\$335,000</u>	<u>\$7,547,503</u>	<u>\$838,434</u>

14) INTERFUND ACTIVITY

Interfund balances at June 30, 2005 consisted of the following:

DUE FROM	
DUE TO	SPECIAL REVENUE FUND
General Fund	<u>\$523</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

15) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

TRANSFERS FROM	
TRANSFERS TO	GENERAL FUND
Special Revenue Fund	\$368,000
Other Capital Projects	<u>610,699</u>
<u>TOTAL</u>	<u>\$978,699</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

16) DEFINED BENEFIT PENSION PLAN

Plan Description

The school district participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the school district. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

16) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent for the period October 1, 2004 through June 30, 2005 of the covered payroll to the plan. Basic plan members make no contributions, but those who are not basic members contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The school district's contributions to the MPSERS pension plan for the years ended June 30, 2005, 2004 and 2003 were \$1,482,010, \$1,282,590 and \$1,238,187, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the school district's total contribution to the MPSERS pension plan discussed above.

17) RISK MANAGEMENT

The district is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and worker's compensation claims. The district limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The district's management believes that participation in this pool provides sufficient coverage to protect the district from significant adverse financial impact.

18) CONTINGENCIES AND COMMITMENTS

The district participates in a number of federally assisted grant programs, principal of which are the Title I and Nutrition Cluster grants. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2005, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the district expects such amounts, if any, to be immaterial.

19) SUBSEQUENT EVENT

On August 19, 2005, the district borrowed \$2,000,000 at 2.87% per annum from JPMorgan Chase on a State Aid Anticipation Note. The note proceeds will be used to meet cash flow needs for the 2005-2006 fiscal year.

REQUIRED
SUPPLEMENTARY
INFORMATION

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$1,623,290	\$1,615,760	\$1,685,779	\$70,019
State Sources	14,600,036	14,718,606	14,758,796	40,190
Federal Sources	362,726	344,744	300,306	(44,438)
Total Revenues	\$16,586,052	\$16,679,110	\$16,744,881	\$65,771
<u>EXPENDITURES</u>				
Current:				
Instruction	10,735,081	10,583,710	10,787,126	(203,416)
Student Services	364,654	368,689	396,570	(27,881)
Instructional Support	826,606	739,382	684,837	54,545
General Administration	350,433	354,656	323,403	31,253
School Administration	1,474,192	1,460,267	1,424,591	35,676
Business Administration	247,225	252,890	258,224	(5,334)
Operation & Maintenance of Plant	1,708,900	1,739,125	1,798,834	(59,709)
Transportation	807,445	748,247	724,480	23,767
Support Services - Other	358,234	487,510	478,492	9,018
Community Services	44,518	54,256	38,561	15,695
Total Expenditures	\$16,917,288	\$16,788,732	\$16,915,118	(\$126,386)
Excess of Revenues Over Expenditures	(\$331,236)	(\$109,622)	(\$170,237)	(\$60,615)
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	(477,000)	(444,882)	(458,875)	(13,993)
	(\$808,236)	(\$554,504)	(\$629,112)	(\$74,608)
<u>FUND BALANCE - BEGINNING</u>			2,681,926	
<u>FUND BALANCE - ENDING</u>			\$2,052,814	

OTHER SUPPLEMENTAL
INFORMATION

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2005

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$19,704	\$152,486	\$59	\$172,249
Due from Other Governmental Units	53,503	0	0	53,503
Prepaid Expenses	10,260	0	0	10,260
Inventory	11,730	0	0	11,730
<u>TOTAL ASSETS</u>	<u>\$95,197</u>	<u>\$152,486</u>	<u>\$59</u>	<u>\$247,742</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$523	\$0	\$0	\$523
Salaries Payable	4,354	0	0	4,354
Deferred Revenue	10,000	0	0	10,000
Total Liabilities	\$14,877	\$0	\$0	\$14,877
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	11,730	0	0	11,730
Debt Retirement	0	152,486	0	152,486
Capital Projects	0	0	59	59
Unreserved:				
Undesignated, Reported In:				
School Service Fund	68,590	0	0	68,590
Total Fund Balances	\$80,320	\$152,486	\$59	\$232,865
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$95,197</u>	<u>\$152,486</u>	<u>\$59</u>	<u>\$247,742</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$637,296	\$563,332	\$120,394	\$1,321,022
State Sources	36,044	0	0	36,044
Federal Sources	303,557	0	0	303,557
Total Revenues	<u>\$976,897</u>	<u>\$563,332</u>	<u>\$120,394</u>	<u>\$1,660,623</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>368,000</u>	<u>0</u>	<u>610,699</u>	<u>978,699</u>
Total Revenues & Other Financing Sources	<u>\$1,344,897</u>	<u>\$563,332</u>	<u>\$731,093</u>	<u>\$2,639,322</u>
<u>EXPENDITURES</u>				
Food Service	1,354,930	0	0	1,354,930
Debt Service	0	601,214	0	601,214
Capital Outlay	0	0	782,480	782,480
Total Expenditures	<u>\$1,354,930</u>	<u>\$601,214</u>	<u>\$782,480</u>	<u>\$2,738,624</u>
Net Change in Fund Balance	(\$10,033)	(\$37,882)	(\$51,387)	(\$99,302)
<u>NET ASSETS - BEGINNING</u>	<u>90,353</u>	<u>190,368</u>	<u>51,446</u>	<u>332,167</u>
<u>NET ASSETS - ENDING</u>	<u>\$80,320</u>	<u>\$152,486</u>	<u>\$59</u>	<u>\$232,865</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$10,991	\$8,713	\$19,704
Due from Other Governmental Units	53,503	0	53,503
Prepaid Expenses	4,003	6,257	10,260
Inventory	11,730	0	11,730
<u>TOTAL ASSETS</u>	<u>\$80,227</u>	<u>\$14,970</u>	<u>\$95,197</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$523	\$0	\$523
Salaries Payable	3,030	1,324	4,354
Deferred Revenue	0	10,000	10,000
Total Liabilities	\$3,553	\$11,324	\$14,877
<u>FUND EQUITY</u>			
Reserved for Inventory	11,730	0	11,730
Unreserved and Undesignated	64,944	3,646	68,590
Total Fund Equity	\$76,674	\$3,646	\$80,320
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$80,227</u>	<u>\$14,970</u>	<u>\$95,197</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

<u>REVENUES</u>	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>Local Sources</u>			
Cafeteria Sales	\$462,973	\$0	\$462,973
Athletic Activities	0	163,089	163,089
Earnings on Investments and Deposits	812	70	882
Other Local Revenues	3,066	7,286	10,352
Total Local Sources	<u>\$466,851</u>	<u>\$170,445</u>	<u>\$637,296</u>
<u>State Sources</u>			
State Reimbursements	36,044	0	36,044
<u>Federal Sources</u>			
Federal Reimbursements	259,179	0	259,179
Commodities	44,378	0	44,378
Total Federal Sources	<u>\$303,557</u>	<u>\$0</u>	<u>\$303,557</u>
Total Revenues	<u>\$806,452</u>	<u>\$170,445</u>	<u>\$976,897</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	368,000	368,000
Total Revenues and Other Financing Sources	<u>\$806,452</u>	<u>\$538,445</u>	<u>\$1,344,897</u>
<u>EXPENDITURES</u>			
Salaries - Professional	31,573	79,055	110,628
Salaries - Non-Professional	226,563	212,954	439,517
Insurances	40,784	25,996	66,780
Fica, Retirement, Etc.	58,446	65,457	123,903
Other Benefits	4,300	0	4,300
Purchased Services	11,541	64,680	76,221
Supplies and Materials	410,525	64,500	475,025
Capital Outlay	22,532	24,285	46,817
Other	6,733	5,006	11,739
Total Expenditures	<u>\$812,997</u>	<u>\$541,933</u>	<u>\$1,354,930</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES</u>	<u>(\$6,545)</u>	<u>(\$3,488)</u>	<u>(\$10,033)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$83,219</u>	<u>\$7,134</u>	<u>\$90,353</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$76,674</u>	<u>\$3,646</u>	<u>\$80,320</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
DEBT RETIREMENT FUND
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2005

	2001 DEBT
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$152,486</u>
<u>FUND EQUITY</u>	
Reserved - Debt Retirement	<u>\$152,486</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
DEBT RETIREMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2001</u> <u>DEBT</u>
<u>REVENUES</u>	
<u>Local Sources</u>	
Property Taxes	\$561,130
Earnings on Investments and Deposits	<u>2,202</u>
Total Local Sources	\$563,332
<u>EXPENDITURES</u>	
Redemption of Bond Principal	335,000
Interest on Bonded Debt	265,693
Other	<u>521</u>
Total Expenditures	<u>\$601,214</u>
<u>EXCESS REVENUES (UNDER) EXPENDITURES</u>	<u>(\$37,882)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$190,368</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$152,486</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
CAPITAL PROJECTS FUND
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2001</u> <u>Capital Projects</u>	<u>Other</u> <u>Capital Projects</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$0</u>	<u>\$59</u>	<u>\$59</u>
<u>TOTAL ASSETS</u>	<u><u>\$0</u></u>	<u><u>\$59</u></u>	<u><u>\$59</u></u>
<u>FUND EQUITY</u>			
Reserved - Capital Projects	<u>\$0</u>	<u>\$59</u>	<u>\$59</u>
<u>TOTAL FUND EQUITY</u>	<u><u>\$0</u></u>	<u><u>\$59</u></u>	<u><u>\$59</u></u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
CAPITAL PROJECTS FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2001</u> <u>Capital Projects</u>	<u>Other</u> <u>Capital Projects</u>	<u>Total After</u> <u>Interfund</u> <u>Eliminations</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Earnings on Investments and Deposits	\$135	\$259	\$394
Donations	0	120,000	120,000
Total Local Sources	<u>\$135</u>	<u>\$120,259</u>	<u>\$120,394</u>
<u>OTHER FINANCING SOURCES</u>			
Transfer from Other Capital Projects Funds	0	849	0
Transfer from General Fund	0	610,699	610,699
Total Other Financing Sources	<u>\$0</u>	<u>\$611,548</u>	<u>\$610,699</u>
Total Revenues and Other Financing Sources	<u>\$135</u>	<u>\$731,807</u>	<u>\$731,093</u>
<u>EXPENDITURES</u>			
Building/Site Acquisitions	0	377,182	377,182
Building Construction & Improvements	27,570	355,044	382,614
Other	22,234	450	22,684
Total Expenditures	<u>\$49,804</u>	<u>\$732,676</u>	<u>\$782,480</u>
<u>OTHER FINANCING USES</u>			
Transfer to Other Capital Projects Funds	849	0	0
Total Expenditures and Other Financing Uses	<u>\$50,653</u>	<u>\$732,676</u>	<u>\$782,480</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES (UNDER) EXPENDITURES</u>	<u>(\$50,518)</u>	<u>(\$869)</u>	<u>(\$51,387)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>50,518</u>	<u>\$928</u>	<u>\$51,446</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$59</u>	<u>\$59</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2005

REVENUES FROMLocal Sources

Property Tax Levy	\$1,219,548
Earnings on Investments and Deposits	27,793
Enrichment Classes	18,189
Rentals	13,656
Tuition	144,616
Medicaid	79,177
Donations	34,477
Other Local Revenues	148,323
Total Revenues from Local Sources	<u>\$1,685,779</u>

State Sources

Unrestricted

State Aid - Foundation - Sec. 20	13,785,353
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Restricted

At Risk	265,430
Special Education	368,193
Adult Education	32,572
Vocational Education	44,799
Michigan School Readiness	99,000
Durant	22,729
State Grants from ISD	140,720
Total Revenues from State Sources	<u>\$14,758,796</u>

Federal Sources

Title I	186,595
Title V	1,362
Enhancing Education through Technology	4,642
Improving Teacher Quality	84,608
Grants from ISD	23,099
Total Revenues from Federal Sources	<u>\$300,306</u>
Total Revenues	<u>\$16,744,881</u>

OTHER FINANCING SOURCES

Sale of Assets	831
Insurance Claims	3,009
Refund Prior Year Expenditures	19,328
Transfers from Other Governmental Units	262,575
County Special Education Tax	236,494
Total Other Financing Sources	<u>\$522,237</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$17,267,118

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$2,221,724
Salaries - Non-Professional	150,776
Insurances	637,835
Fica, Retirement, Etc.	536,658
Other Benefits	8,557
Purchased Services	2,282
Supplies and Materials	82,495
Capital Outlay	35,873
Other	150
Total Elementary	<u>\$3,676,350</u>

Middle School

Salaries - Professional	1,274,960
Salaries - Non-Professional	46,932
Insurances	342,186
Fica, Retirement, Etc.	295,414
Other Benefits	4,541
Purchased Services	1,824
Supplies and Materials	49,986
Capital Outlay	15,878
Other	1,513
Total Middle School	<u>\$2,033,234</u>

High School

Salaries - Professional	1,312,001
Salaries - Non-Professional	64,865
Insurances	344,593
Fica, Retirement, Etc.	309,383
Other Benefits	6,697
Purchased Services	89,793
Supplies and Materials	127,214
Capital Outlay	25,159
Other	5,115
Total High School	<u>\$2,284,820</u>

Preschool - Children's Services

Salaries - Professional	41,926
Salaries - Non-Professional	159,784
Insurances	14,303
Fica, Retirement, Etc.	44,481
Purchased Services	3,656
Supplies and Materials	32,982
Capital Outlay	4,543
Total Preschool - Children's Services	<u>\$301,675</u>

Total Basic Programs

\$8,296,079

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

INSTRUCTION (Continued)ADDED NEEDSSpecial Education

Salaries - Professional	\$775,011
Salaries - Non-Professional	91,429
Insurances	219,647
Fica, Retirement, Etc.	193,713
Other Benefits	1,200
Purchased Services	2,723
Supplies and Materials	9,563
Capital Outlay	5,453
Other	1,289
Total Special Education	<u>\$1,300,028</u>

Compensatory Education

Salaries - Professional	72,119
Salaries - Non-Professional	173,781
Insurances	15,280
Fica, Retirement, Etc.	55,266
Purchased Services	62,093
Supplies and Materials	31,575
Total Compensatory Education	<u>\$410,114</u>

Vocational Education - High School

Salaries - Professional	421,615
Salaries - Non-Professional	6,079
Insurances	106,867
Fica, Retirement, Etc.	96,419
Other Benefits	200
Purchased Services	42,600
Supplies and Materials	35,243
Capital Outlay	5,519
Other	379
Total Vocational Education - High School	<u>\$714,921</u>

Total Added Needs \$2,425,063

Adult Education

Salaries - Professional	34,182
Insurances	12,998
Fica, Retirement, Etc.	7,614
Purchased Services	10,399
Supplies and Materials	766
Other	25
Total Adult Education	<u>\$65,984</u>

Total Instruction \$10,787,126

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

SUPPORT SERVICES

Student Services

Salaries - Professional	\$199,750
Salaries - Non-Professional	50,168
Insurances	88,106
Fica, Retirement, Etc.	55,868
Purchased Services	1,006
Supplies and Materials	1,194
Capital Outlay	409
Other	69
Total Student Services	<u>\$396,570</u>

Instructional Support

Salaries - Professional	192,021
Salaries - Non-Professional	223,686
Insurances	44,625
Fica, Retirement, Etc.	92,719
Other Benefits	200
Purchased Services	38,040
Supplies and Materials	64,139
Capital Outlay	22,484
Other	6,923
Total Instructional Support	<u>\$684,837</u>

General Administration

Salaries - Professional	101,602
Salaries - Non-Professional	47,467
Insurances	27,585
Fica, Retirement, Etc.	31,874
Other Benefits	7,147
Purchased Services	87,379
Supplies and Materials	10,562
Capital Outlay	572
Other	9,215
Total General Administration	<u>\$323,403</u>

School Administration

Salaries - Professional	689,142
Salaries - Non-Professional	228,776
Insurances	193,716
Fica, Retirement, Etc.	203,846
Other Benefits	1,200
Purchased Services	69,112
Supplies and Materials	26,978
Capital Outlay	7,192
Other	4,629
Total School Administration	<u>\$1,424,591</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

SUPPORT SERVICES (Continued)Business Office

Salaries - Professional	\$89,400
Salaries - Non-Professional	27,500
Insurances	26,091
Fica, Retirement, Etc.	25,924
Other Benefits	1,200
Purchased Services	55,316
Supplies and Materials	1,887
Capital Outlay	150
Other	30,756
Total Business Office	<u>\$258,224</u>

Operation and Maintenance of Plant

Salaries - Professional	48,019
Salaries - Non-Professional	566,632
Insurances	195,044
Fica, Retirement, Etc.	143,730
Purchased Services	262,190
Supplies and Materials	560,374
Capital Outlay	15,937
Other	6,908
Total Operation and Maintenance of Plant	<u>\$1,798,834</u>

Transportation

Salaries - Professional	48,144
Salaries - Non-Professional	368,370
Insurances	44,080
Fica, Retirement, Etc.	98,179
Purchased Services	27,990
Supplies and Materials	136,180
Capital Outlay	748
Other	789
Total Transportation	<u>\$724,480</u>

Other Support Services

Salaries - Professional	20,323
Salaries - Non-Professional	12,302
Insurances	3,545
Fica, Retirement, Etc.	7,346
Purchased Services	290,808
Supplies and Materials	117,002
Capital Outlay	27,166
Total Other Support Services	<u>\$478,492</u>

Total Support Services

\$6,089,431

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

COMMUNITY SERVICES

Salaries - Non-Professional	\$11,670
Fica, Retirement, Etc.	2,168
Purchased Services	13,441
Supplies and Materials	10,562
Other	720
Total Community Services	<u>\$38,561</u>

Total Expenditures \$16,915,118

OTHER FINANCING USES

Adjustment Prior Year Expenditures	2,413
Transfers to Other Funds	978,699
Total Other Financing Uses	<u>\$981,112</u>

TOTAL EXPENDITURES AND OTHER
FINANCING USES

\$17,896,230

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS JULY 1, 2004	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT GROUPS JUNE 30, 2005
<u>HIGH SCHOOL</u>				
Art Club	\$1,134	\$2,685	\$2,337	\$1,482
Auto Shop	(1,526)	24,025	22,064	435
Band Misc.	2,018	4,122	5,811	329
Banquet Account	1,989	550	776	1,763
Business Professionals of America	0	382	196	186
Cavalier Gear	6,274	4,913	9,460	1,727
Cheerleaders	726	7,149	6,901	974
Choir	174	262	293	143
CHS News	0	645	18	627
Class Of 2001	5,365	0	0	5,365
Class Of 2003	5,382	0	0	5,382
Class Of 2004	958	0	958	0
Class Of 2005	4,041	8,592	8,110	4,523
Class Of 2006	4,074	2,107	947	5,234
Class Of 2007	708	1,840	1,231	1,317
Class Of 2008	0	3,590	2,682	908
Costa Rica	0	886	0	886
Drama Club	7,342	6,763	5,755	8,350
Electricity	33	0	0	33
FFA	2,273	55,949	52,514	5,708
Flower Fund	136	355	475	16
Graphic Arts	1,104	1,389	1,371	1,122
Interest on Savings	4,224	5,640	7,588	2,276
Library Misc.	1,901	1,822	2,223	1,500
Metal	270	104	0	374
Miscellaneous	1,139	31,491	31,017	1,613
National Honor Society	1,039	2,579	2,710	908
Pom-Pon Squad	53	0	0	53
PTO Group	0	1,212	65	1,147
School Paper	0	43	0	43
Science Club	6,108	42,451	38,007	10,552
Ski Club	380	458	672	166
Spanish Club	892	3,705	4,518	79
Spanish Trip	0	200	0	200
Student Council	3,730	3,757	2,831	4,656
Teachers Machines	330	678	982	26
Track (Champ. Of Champ.)	182	0	0	182
Woods	(80)	457	0	377
Yearbook	8,874	6,330	4,943	10,261
Total High School	<u>\$71,247</u>	<u>\$227,131</u>	<u>\$217,455</u>	<u>\$80,923</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2005

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS JULY 1, 2004	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT GROUPS JUNE 30, 2005
<u>MIDDLE SCHOOL</u>				
Band Fund	\$584	\$1,948	\$1,940	\$592
Cheerleaders	231	0	231	0
Choir	398	29	20	407
Industrial Arts Tech	1,793	2,726	2,403	2,116
Interest Fund	85	27	103	9
Journalism	503	139	0	642
Library	1,034	4,204	4,797	441
Pencil Machine	(177)	177	0	0
Pep Club	4,189	32,754	30,615	6,328
Picture Fund	251	946	1,197	0
Sixth Grade Store	86	1,478	1,126	438
Staff Flowers	182	630	287	525
Teachers Machine	215	2,315	2,530	0
Yearbook	2,802	11,086	9,561	4,327
Total Middle School	\$12,176	\$58,459	\$54,810	\$15,825
<u>LOUISE PEACOCK SCHOOL</u>				
Field Trip Fund	2,255	335	1,412	1,178
Interest Fund	41	46	30	57
Library Fund	3,329	5,195	6,298	2,226
Pencil Fund	707	1,380	1,715	372
Picture Fund	168	3,566	3,723	11
Popcorn Fund	4,988	4,546	5,559	3,975
Student Council Fund	232	0	57	175
Total Louise Peacock School	\$11,720	\$15,068	\$18,794	\$7,994
<u>ELSA MEYER SCHOOL</u>				
Chapter One Fund	92	0	0	92
Flower Fund	54	930	884	100
Interest Fund	75	65	36	104
Library Fund	2,576	10,729	9,698	3,607
Picture Fund	1,732	6,474	5,087	3,119
Popcorn Fund	2,878	5,778	4,831	3,825
PTO Fund	535	8,636	8,427	744
Vending Fund	1,114	184	1,043	255
Total Elsa Meyer School	\$9,056	\$32,796	\$30,006	\$11,846

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2005

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS JULY 1, 2004	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT GROUPS JUNE 30, 2005
<u>NELLIE REED SCHOOL</u>				
Picture Fund	\$2,275	\$13,523	\$13,197	\$2,601
Popcorn Fund	2,318	12,301	12,992	1,627
Total Nellie Reed School	<u>\$4,593</u>	<u>\$25,824</u>	<u>\$26,189</u>	<u>\$4,228</u>
<u>CHILDREN SERVICES</u>	216	15,587	15,263	540
<u>ADMINISTRATIVE</u>				
Activity Fund	226	805	730	301
Activity P Fund	949	38	115	872
Fitness Room	1,550	100	1,650	0
Youth Wrestling	2,221	0	2,221	0
Superintendent Checking	161	117	195	83
Total Administrative	<u>\$5,107</u>	<u>\$1,060</u>	<u>\$4,911</u>	<u>\$1,256</u>
<u>TOTALS</u>	<u>\$114,115</u>	<u>\$375,925</u>	<u>\$367,428</u>	<u>\$122,612</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2005

<u>1998 DURANT RESOLUTION PACKAGE BONDS</u>				
<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2006	4.761353%	\$11,001	\$4,959	\$15,960
2007	4.761353%	11,523	4,435	15,958
2008	4.761353%	12,074	3,887	15,961
2009	4.761353%	12,649	3,312	15,961
2010	4.761353%	13,251	2,710	15,961
2011	4.761353%	54,931	20,388	75,319
2012	4.761353%	14,542	1,418	15,960
2013	4.761353%	15,234	725	15,959
<u>TOTAL</u>		<u>\$145,205</u>	<u>\$41,834</u>	<u>\$187,039</u>

2001 SCHOOL BUILDING AND SITE BONDS					
	INTEREST	PRINCIPAL	MAY	NOVEMBER	
PAYMENT DATE	RATE	REQUIREMENT	INTEREST	INTEREST	TOTAL
			REQUIREMENT	REQUIREMENT	PAYMENT
2005-2006	4.100%	\$370,000	\$125,979	\$125,979	\$621,958
2006-2007	4.125%	390,000	118,348	118,348	626,696
2007-2008	4.125%	410,000	110,304	110,304	630,608
2008-2009	4.125%	435,000	101,848	101,847	638,695
2009-2010	4.125%	455,000	92,876	92,876	640,752
2010-2011	4.125%	480,000	83,491	83,491	646,982
2011-2012	4.125%	505,000	73,591	73,591	652,182
2012-2013	4.125%	535,000	63,175	63,175	661,350
2013-2014	4.200%	565,000	52,141	52,141	669,282
2014-2015	4.200%	595,000	40,276	40,276	675,552
2015-2016	4.375%	625,000	27,781	27,781	680,562
2016-2017	4.375%	645,000	14,109	14,109	673,218
TOTAL		\$6,010,000	\$903,919	\$903,918	\$7,817,837

CORUNNA PUBLIC SCHOOLS

CORUNNA, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

July 7, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Corunna Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Corunna Public Schools, as of and for the year ended June 30, 2005, which collectively comprise the Corunna Public Schools' basic financial statements and have issued our report thereon dated July 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corunna Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corunna Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Corunna Public Schools, in a separate letter dated July 7, 2005.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

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July 7, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Corunna Public Schools

Compliance

We have audited the compliance of Corunna Public Schools with the types of compliance requirements described in *the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Corunna Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Corunna Public Schools' management. Our responsibility is to express an opinion on Corunna Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Corunna Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Corunna Public Schools' compliance with those requirements.

In our opinion, Corunna Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Corunna Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Corunna Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Corunna Public Schools

Page 2

July 7, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Corunna Public Schools, as of and for the year ended June 30, 2005, and have issued our report thereon dated July 7, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Corunna Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies:	84.010		
Title I Regular (04-05)		51530-0405	\$186,595
Title I Regular (03-04)		41530-0304	203,672
Total Title I			<u>\$390,267</u>
Innovative Education Program Strategies	84.298		
Title V LEA (04-05)		50250-0405	1,362
Enhancing Education Through Technology	84.318		
Enhancing Education Through Technology (04-05)		54290-0405	4,642
Improving Teacher Quality	84.367		
Title IIA (04-05)		50520-0405	84,608
Total Passed Through Michigan Department of Education			<u>\$480,879</u>
Passed Through Genesee Intermediate School District:			
Safe & Drug Free Schools & Communities State Grants	84.186		
Safe & Drug Free Schools (03-04)		042860-0304	5,555
PEP - CM White Physical Fitness	84.215F	Q215F031137	4,937
Emergency Management/Crisis Response (03-04)	87.184E	Q184EO30509	5,000
Total Passed Through Genesee Intermediate School District			<u>\$15,492</u>
Passed Through Shiawassee RESD			
Homeland Security	97.004	N/A	<u>11,250</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$507,621</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	35,980
Bonus Commodities		N/A	8,398
Total Food Distribution			<u>\$44,378</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$186,595	\$0	\$186,595	\$0
1,048	203,672	0	0	1,048	0
<u>\$1,048</u>	<u>\$203,672</u>	<u>\$186,595</u>	<u>\$0</u>	<u>\$187,643</u>	<u>\$0</u>
0	0	1,362	0	1,362	0
0	0	4,642	0	4,642	0
0	0	84,608	0	84,608	0
<u>\$1,048</u>	<u>\$203,672</u>	<u>\$277,207</u>	<u>\$0</u>	<u>\$278,255</u>	<u>\$0</u>
0	3,000	2,555	0	0	2,555
0	4,000	937	0	937	0
0	0	5,000	0	5,000	0
<u>\$0</u>	<u>\$7,000</u>	<u>\$8,492</u>	<u>\$0</u>	<u>\$5,937</u>	<u>\$2,555</u>
0	0	11,250	0	0	11,250
<u>\$1,048</u>	<u>\$210,672</u>	<u>\$296,949</u>	<u>\$0</u>	<u>\$284,192</u>	<u>\$13,805</u>
0	0	35,980	0	35,980	0
0	0	8,398	0	8,398	0
<u>\$0</u>	<u>\$0</u>	<u>\$44,378</u>	<u>\$0</u>	<u>\$44,378</u>	<u>\$0</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF AGRICULTURE (Continued)</u>			
School Breakfast Program	10.553	N/A	\$53,141
National School Lunch Program	10.555	N/A	203,915
National School Lunch Program	10.555	N/A	<u>2,123</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$303,557
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Shiawassee RESD			
Medical Assistance Program Title XIX			
Medicaid Outreach	93.778	N/A	<u>3,357</u>
<u>TOTAL FEDERAL AWARDS</u>			<u>\$814,535</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$53,141	(\$397)	\$42,966	\$9,778
0	0	203,915	0	168,719	35,196
0	0	2,123	0	1,755	368
\$0	\$0	\$303,557	(\$397)	\$257,818	\$45,342
0	0	3,357	0	3,357	0
\$1,048	\$210,672	\$603,863	(\$397)	\$545,367	\$59,147

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$603,863

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund \$300,306

School Service Fund 303,557

TOTAL \$603,863

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.
- 4) An adjustment of \$397 was made to the breakfast program (CFDA 10.553) by the State of Michigan on the R7120.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$537,037
<u>Add:</u> Timing Differences		
School Breakfast and Lunch Program Revenue Received in Subsequent Year		(45,342)
<u>Add:</u> Grants Passed Through the Genesee Intermediate School District		
PEP - CM White Physical Fitness (CFDA 84.215F)	\$937	
Emergency Management/Crisis Response (CFDA 87.184E)	<u>5,000</u>	
Total Grants Passed Through Genesee Intermediate School District		5,937
Passed Through Shiawassee RESD		
Medicaid Outreach (93.778)		3,357
Entitlement and Bonus Commodities (CFDA 10.550)		<u>44,378</u>
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>		<u><u>\$545,367</u></u>

CORUNNA PUBLIC SCHOOLS- CORUNNA, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.010
10.553, 10.555

Name of Federal Program or Cluster
Title I Grants to Local Educational Agencies
Nutrition Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

CORUNNA PUBLIC SCHOOLS- CORUNNA, MICHIGAN
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

2004-1) Title I (CFDA #84.010)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The district did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The district should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Status:</u>	The district has implemented a standard time certification form and the appropriate employee or other supervisory employee completes the certifications every six months.
<u>Questioned Cost:</u>	None.



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

July 7, 2005

To the Board of Education of
Corunna Public Schools

In planning and performing our audit of the financial statements of Corunna Public Schools for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Corunna Public Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, Corunna Public Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

FUTURE ISSUES

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Corunna Public Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASBS No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)



Corunna Public Schools

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July 7, 2005

- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Corunna Public Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS